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CONTACT REPORT

21 May 1990

FROM: []

SUBJECT: Meeting with QRPLUMB/57, /75 and /103

1. MEETING SPECIFICS:
 - A. DATE: 16 May 1990
 - B. TIME: 1100-1600
 - C. PLACE: Gateway Hilton in Newark N.J.
 - D. PARTICIPANTS: QRPLUMB/57, /75 and /103
 - E. OPS ALIAS USED: []
 - F. NEXT MEETING: Not scheduled.
2. MEETING ARRANGEMENTS/OPS SECURITY: Meeting was prearranged. No security problems
3. CI PROBLEMS/SIGNIFICANT DEVELOPMENTS: See narrative below.
4. INTEL: None.
5. ADMIN: Room was reserved under my alias; cost of the room and lunch was paid by alias credit card issued in the same name.
6. PLANS: Submit a termination plan to ORMS/PRB based on this meeting and as agreed by ad hoc QRPLUMB working group at 22 May meeting.
7. OPERATIONAL DEVELOPMENTS: After our arrival at the hotel, [] called the PLUMB office and gave them the hotel room number. The three PLUMB principals arrived about 15 minutes later. I started by thanking them for the long period of collaboration between our organizations, stating that much had been accomplished during that period, of which both of us could be proud. I said that, as they knew, we were entering into a new phase in our relationship in that severe budgetary restrictions as well as policy constrictions required that we

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end our close relationship and reach an agreement for ending the annual subsidy to their organization. I assured them that this decision did not come easily, especially to those of us who have been aware over a long period of the fine work they were doing. However, our best efforts notwithstanding, they could no doubt understand, having read in the papers about Government efforts to trim all areas of expenditures, that their relatively large subsidy was examined closely.

8. QRPLUMB/57 replied that he anticipated, from [] previous comments, that we would reach this decision. He said they definitely planned to continue their work because they believed that their activities should expand instead of contract during the current period. Their contacts in the Ukraine are requesting increasing support, both organizational support as well as financial and equipment support. They believe it is important to respond to this need in order to preserve their influence for moderation in the Ukraine. Without their moderate influence, they believe that radical groups which advocate immediate secession would become more influential. Their current policy is to encourage the western Ukraine to strive for increased political and economic autonomy and decentralization. They do not believe that local activists should advocate independence. They said that they intended to continue their moderate policy, stating that they have not felt inhibited by Agency policy guidelines.

9. QRPLUMB/57 continued that because of their support over the years to democratic groups, they now have contact with Ukrainian leaders at the highest government and party level. They have also begun publishing in Kiev and produced a copy of their journal which had been printed there. He said that the new breed of government and party leaders looked to the PLUMBS as a moderating group with whom they can deal. The PLUMBS said that they represent moderate, democracy-oriented groups in the west and they want to continue their activism so as not to give up the field to more radical groups which are seeking confrontation with the Soviets. They also said that they believed they need to continue operations because any change in their activities would be very visible to the emigre community here and to their contacts in the Ukraine and, at this critical point in Soviet internal developments, cessation would be very disruptive.

10. I said that we need to agree on a time when we would agree that our relationship would formally end, after which time we would have no responsibility for their policies and actions and after which they would not feel inhibited by our policy direction or guidance, permitting them to raise funds in the U.S. if they desired. In addition, we would need to agree on a sum of money which they could use to cushion the transition to other funding and would permit them to continue operations as they desire while they organized other means of support. They had obviously been thinking about this question and Q/57, after some hesitation (and coaxing), said that in view of the long association and their current obligations, they thought that ten million dollars termination payment would be appropriate. It was clear, which Q/57 later confirmed, that they had chosen a figure, the interest from which would provide them about the same amount of income they are receiving from us now.

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11. I said that while I understood their desire for financial security with a nest egg of that size, I could not offer them any hope for a payment anywhere near that large. I emphasized that we expect them to obtain other financial support, to tap other sources of donations, to investigate other business arrangements which would yield funds, and to scale back their operations if necessary. I explained that one idea we had was to continue our support for several more years, but at a gradually reduced rate of [] next year and even less the next year. However, it seemed more fair to them to end our formal arrangement as soon as possible to give them the additional flexibility to approach donors in the U.S. as soon as possible. With that in mind, we had approximately doubled the money set aside for FY 91 and could offer up to [] They did not seem particularly shocked at that figure, though they stated that continuing the operation would be very difficult and that making a secure transition to other funding on the basis of that termination payment would be extremely difficult. Their lease, at 80,000\$ a year, continues until November 92, and they have a number of other fixed costs, principally staff salaries. They said that they had wanted to purchase property some years ago when they had extra funds, but were told by us they could not own property as recipients of our funds. I asked them to prepare a paper which will list their current financial obligations as well as their major program costs, which will give us a better view of how they might realign their finances. We also offered a consultant, an offer which they accepted as long as cost of the consultant would not come from their funds. They will also produce a business plan with a five-year projection and will inquire to determine if the lease on their office can be broken. They would like to purchase property, probably a home or duplex which would provide adequate office quarters provide them with a long-term investment.

12. To generate additional income, they prefer to go to the business community rather than to the Ukrainian community because the latter, they say, has already been pursued quite heavily for donations by various groups collecting money for victims of the Chernobyl accident. They believe that there is a possibility that they can be hired as a consultant by Ukrainian cities and provinces, which are now under the control of their contacts, to act as an intermediary/consultant to bring in U.S. business investments to the Ukraine, and they plan to explore this possible method of obtaining income. In planning a secure transition to independence, they believe that most people have seen the articles in the U.S. press on budget cuts and believe it would be disastrous for people to make a connection with a major PLUMB new fund raising effort or with an obvious drawdown in their activity level. They currently have nine full-time positions, as well as representatives in Munich and London. They also currently have representatives in Kiev, Moscow and Warsaw who are able to collect information quickly. Their Warsaw representative is particularly active.

13. We agreed that as a target date, we would try to conduct the final audit the last two weeks in August and aim for an August separation date. They asked if they could obtain the accounting package

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used by [] who are currently organizing the PLUMB's books. All three PLUMBS, incidentally, are very complimentary concerning the work being done by []

14. They are also considering establishing a weekly or biweekly publication in the Ukraine in the "Newsweek" format, which they see as a magazine to provide basic "how to" information for people emerging into a more free society. Besides advocating free discussion, the journal would discuss, for instance, how to run elections, how to campaign, how to form and operate small businesses, etc.

15. In considering the equities of various Agency offices, as well as helping the PLUMBS make the transition to a self-financed organization, there are three areas where we may be able to assist:

a. A contract with SE for collection, perhaps with the organization and not with the individual, is an obvious avenue to explore.

b. They have considerable detailed knowledge of conditions in the Ukraine and it is possible that the DI would be interested in either meeting them regularly or obtaining written assessments and analysis from their organization on specific subjects.

c. They claim that FBIS is not translating Ukrainian publications in the increasingly liberal Western Ukraine and they believe they can provide this service, so perhaps a contract arrangement with FBIS is possible.

16. Also, and not discussed with the PLUMBS, I suggest that we schedule a commemorative service, probably in the Washington area, for the three principal QRPLUMBS, at which C/PPS or the DDO could give them a suitable gift in recognition for the years of collaboration, to which past case officers could be invited. During the discussions, they indicated an interest in seeing, if possible, [] (alias []), [] and [] before relations were severed.

17. We agreed to meet again when they had finished their cost projections and business plan. I believe they understand that it is unlikely we can offer them additional of money.

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